

FINANCE FACTS

A Monthly Publication on Consumer Financial Behavior

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SEPTEMBER 1981

CONSUMER INSTALLMENT CREDIT

Total consumer installment credit at end June 1981 was \$318.5 billion. Of this amount, \$119.7 billion was outstanding in automobile credit, \$58.5 billion in revolving credit, \$17.7 billion in mobile home credit and \$122.6 billion in all other credit (consisting of other consumer goods and personal loans).

During June 1981, total installment credit outstanding increased by \$3.0 billion—automobile credit increased \$0.8 billion, revolving credit was up \$0.9 billion, mobile home credit increased \$0.1 billion and all other credit was up \$1.2 billion.

Net change over month by institution was increase of \$1.2 billion for commercial banks. Finance company outstandings increased \$0.9 billion, made up mostly of personal loans (\$0.4 billion) and automobile credit (\$0.4 billion). Credit at retailers increased \$0.1 billion, credit unions increased \$0.6 billion, savings and loans were down slightly.

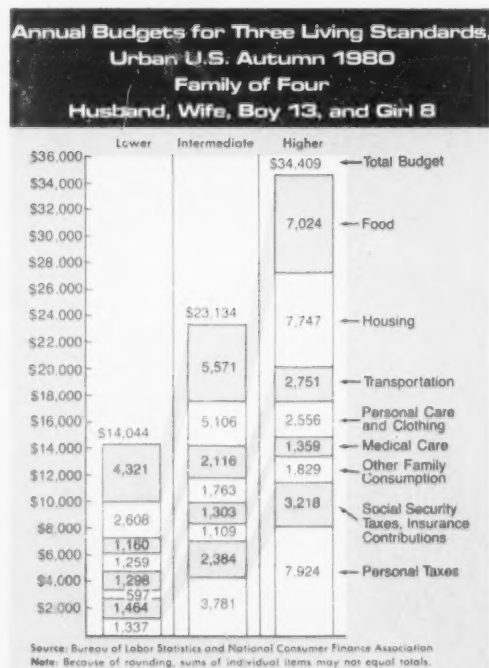
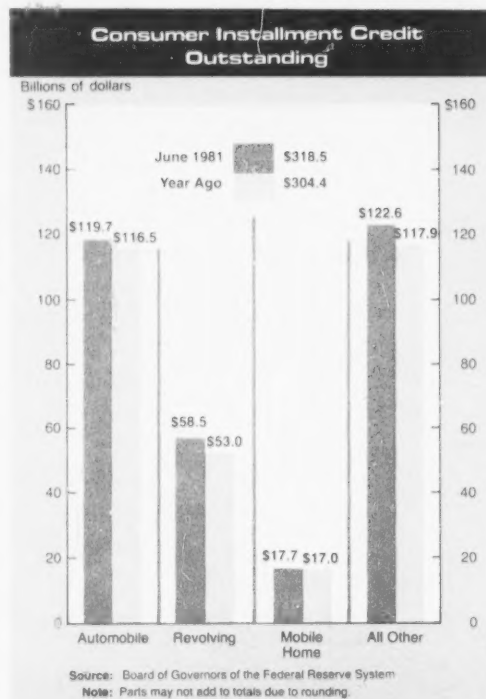
Net change in installment credit outstanding since end of June 1980 amounted to increase of \$14.1 billion. Revolving credit increased \$5.4 billion, mobile home credit \$0.7 billion, automobile credit \$3.2 billion and all other credit \$4.7 billion.

Over the year finance company increase was \$9.6 billion, retailers \$2.6 billion, savings and loans \$2.3 billion, gasoline companies \$1.2 billion, mutual savings banks \$0.2 billion and credit unions \$2.7 billion. Commercial banks outstandings decreased \$4.6 billion.

ANNUAL BUDGETS

In autumn 1980, U.S. average cost of lower budget for an urban family of four was \$14,044 a year, while intermediate and higher levels were \$23,134 and \$34,409, respectively, according to Bureau of Labor Statistics. From autumn 1979 to autumn 1980, total cost of lower budget rose 11.6%, and intermediate and higher budgets rose 12.8% and 13.5%, respectively. These are the largest increases since 1974. The intermediate and higher budgets rose more than the lower budget in 1980 due to large increases in taxes and homeowner costs. Consumption costs rose approximately 10% in lower level and 10.5% in the intermediate and higher budgets with largest increase among consumption components occurring in transportation.

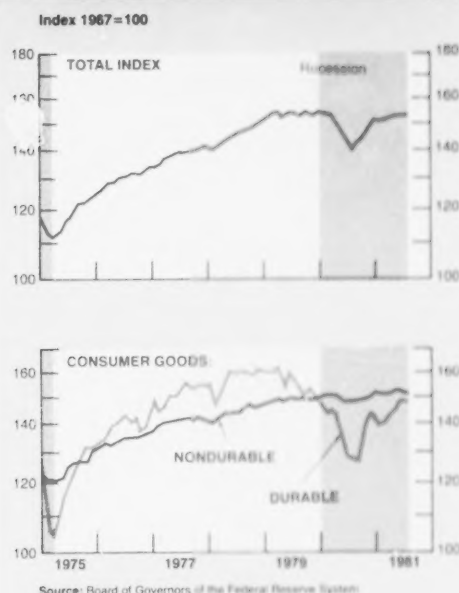
For the lower budget, costs were 6.5% higher in the metropolitan areas than in the nonmetropolitan urban areas, 12.0% higher for the intermediate budget and 17.9% for the higher budget. Total budget levels were lowest in small cities in the South.



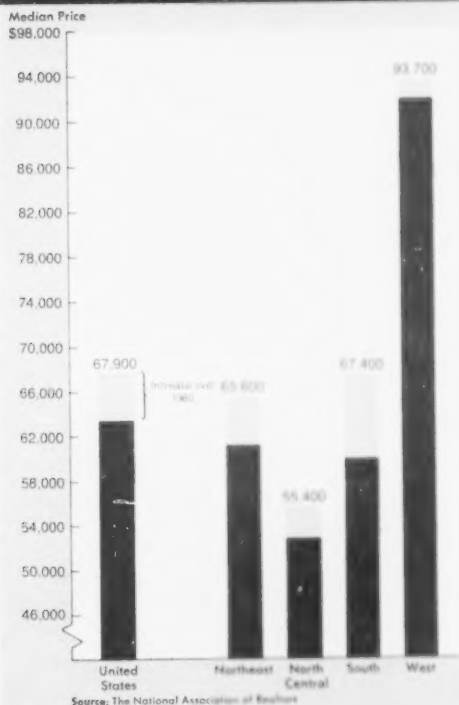
FINANCE FACTS

SEPTEMBER 1981

Index of Industrial Production
by months (seasonally adjusted) 1975-1981



Median Sales Price of Existing Single Family Homes For the United States and each Region, June 1981



INDUSTRIAL PRODUCTION

Industrial production increased an estimated 0.3% in July, following slight decline in June. Most of July rise reflected continuation of post-strike rebound in coal output. Output of autos and trucks and construction supplies declined sharply. There was continued growth in equipment output and some increase in production of materials other than coal. At 153.4% of 1967 average, index in July was 9.3% above recent low in July 1980, and virtually same as high of 153.4% reached in March 1979.

Production of consumer goods was unchanged in July, as sharp decline in output of autos and utility vehicles was offset by increases in production of home goods and consumer nondurable goods. Autos were assembled at an annual rate of 7.2 million units—down from rate of 7.4 million units in June; further reduction of nearly 10% is now scheduled for August. Output of construction supplies was again cut back, reflecting weakness in the housing market.

PRODUCTIVITY AND COSTS

Productivity, defined as output per employee hour, increased 0.3% in 1980 in the nonfinancial corporate sector, according to U.S. Department of Labor. During 1979, productivity declined 0.1% in this sector. Productivity gain in 1980 reflected 0.8% decline in output and a 1.1% fall in hours of all employees; during 1979, both output and hours increased. Nonfinancial corporate sector includes all corporations doing business in the United States, with the exception of banks, stock and commodity brokers, and finance and insurance agencies, and accounted for two-thirds of private business sector in 1980.

PRODUCER PRICE INDEXES

The Producer Price Index for Finished Goods moved up 0.4% from June to July on seasonally adjusted basis, U.S. Department of Labor reported. July increase followed 0.6% advance in June and 0.4% rise in May. Prices for intermediate goods also increased 0.4%, about same as in both preceding months. Crude material prices moved up 0.5%, much less than in June. Consumer food price increases accelerated from 0.5% in June to 1.5% in July, prices for other finished goods edged up only 0.1%. Index for finished consumer goods other than foods and energy moved up 0.2%. Before seasonal adjustment, Producer Price Index for Finished Goods moved up 0.5% to 271.3 (1967 = 100).

EXISTING HOME SALES

In June, sales of existing single-family homes nationwide rose 6% to seasonally adjusted annual rate of 2,650,000 units. Despite modest sales gain, resale activity is still 35% below peak level achieved in November 1978. During first half 1981 resale activity was at its lowest level in six years. For first six months of 1981 total of 1,270,000 existing housing units changed hands—nearly 100,000 units below total of 1,350,000 units which sold over same period in 1980. Median sales price of resale property in June 1981 was \$67,900, up \$1,600 from the previous month and 7.1% above price level for same month year ago.

PERSONAL INCOME

Personal income increased \$37.0 billion in July to seasonally adjusted annual rate of \$2,421.7 billion, according to U.S. Department of Commerce. In June, personal income increased \$16.6 billion.

Wages and salaries and other labor income increased \$11.8 billion in July. Nonfarm proprietors' income decreased \$0.1 billion in July, farm proprietors' income increased \$3.4 billion. Income from rent, dividends and interest increased \$6.7 billion. Transfer payments increased \$17.7 billion.

Personal outlays increased \$21.9 billion in July, taxes up \$5.4 billion. Saving increased \$9.6 billion. Purchases of durable goods increased \$7.9 billion. Purchases of nondurable goods increased \$4.8 billion, purchases of services increased \$8.7 billion.

MORTGAGE INTEREST RATES

Conventional home mortgage commitment rates increased in late June and early July, the Federal Home Loan Bank Board reported. Most recent rise was substantially smaller than increases in each of two preceding months. As earlier, it reflected rising cost of funds to major mortgage lenders and lower deposit flows to thrift institutions.

Average effective commitment rate quoted by major lenders for conventional loans for purchase of newly built, single-family homes with 75% loan-to-price ratio and 25-year term-to-maturity was 16.95%. This was 13 basis points more than in early June, and 438 basis points higher than year earlier. Average contract interest rate on conventional loans closed in early July was 14.53%, 21 basis points more than preceding month. Initial fees and charges increased from 2.32% in early June to 2.47% in early July. Average term-to-maturity rose from 26.0 to 26.8 years from early June to early July and average loan-to-price ratio edged up from 72.7% to 73.1%.

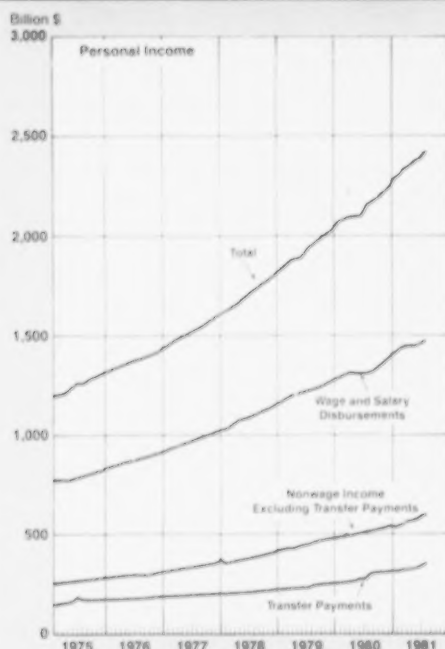
1980 STATE PER CAPITA PERSONAL INCOME

State per capita personal income in 1980 ranged from \$12,790 in Alaska (\$12,039 in the District of Columbia) and \$11,720 in Connecticut to \$6,580 in Mississippi, according to the U.S. Department of Commerce. The U.S. average was \$9,521, compared with \$8,637 in 1979.

Most of the 11 states with high per capita personal incomes—at least 7% (\$665) above U.S. average—were in urbanized northeastern and western parts of the nation. Most of the 19 states with low per capita personal incomes—at least 7% (\$665) below U.S. average—were in the Southeast and Rocky Mountain regions.

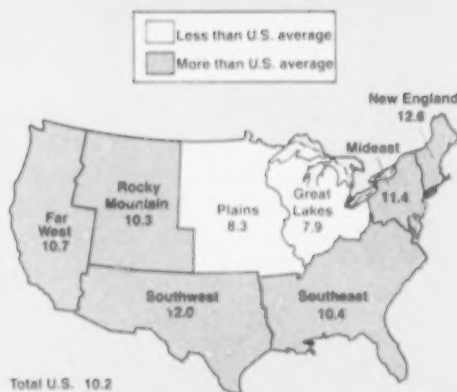
Per capita personal income in 1980 increased 10.2% nationally. Prices also increased 10.2%. The 10 states with largest percentage increases in per capita personal income in 1980 (led by Connecticut, Louisiana, and Delaware), had particularly strong increases in income from durable manufacturing. The 10 states with smallest percentage increases in per capita personal income in 1980 had small increases or declines in earnings from durable manufacturing, farming, construction, and private service-type industries.

**Selected Components
of Personal Income**
(Seasonally Adjusted at Annual Rates)



Source: U.S. Department of Commerce

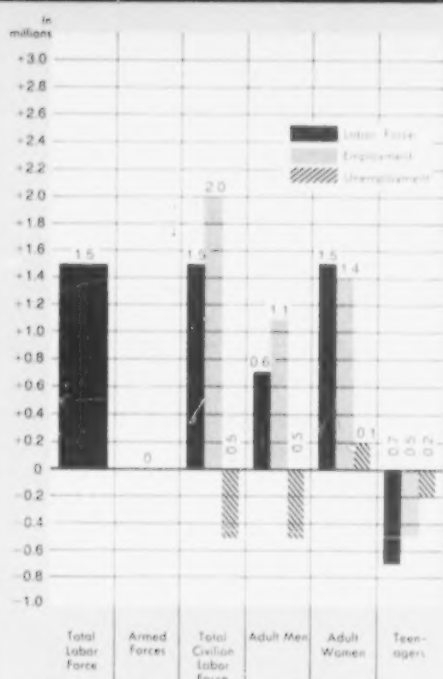
**Change in Per Capita Personal
Income, by Regions, 1979-1980**



Source: Department of Commerce

SEPTEMBER 1981

**Changes in the Labor Force and
Selected Components:
July 1980 to July 1981**



NOTE: Details may not add to totals because of rounding.
SOURCE: Bureau of Labor Statistics.

EMPLOYMENT SITUATION

Employment rose in July and unemployment declined, U.S. Department of Labor reported. Overall unemployment rate was 7.0%, down from 7.3% which prevailed during most of January-June period. Total employment rose by 570,000 to 99.0 million.

Unemployment decreases registered in July were essentially limited to men. Jobless rate for men 25 years and over dropped from 5.0% to 4.7%, a return to rate posted in March 1981. Rate for men 20 to 24 years declined sharply and, at 11.3%, was at its lowest mark since March 1980. Rate for adult women in July, 6.7%, was little change, while rate for teenagers edged down to 18.1%.

GROSS NATIONAL PRODUCT

Gross national product increased \$28.6 billion or 4.1% at seasonally adjusted annual rate in the second quarter of 1981 to \$2,881.6 billion, according to U.S. Department of Commerce. In first quarter, GNP increased \$122.4 billion or 19.2%. Real output decreased 2.4% at an annual rate in the second quarter, compared with an increase of 8.6% in the first. The decrease in real output was attributable to final sales, which decreased 5.1% compared with an increase of 6.9% in first quarter.

NCFA INDUSTRY REPORTS

Two annual publications on the consumer finance industry are now available. Published by NCFA's Research Services, the Research Report on Finance Companies in 1980 is \$3.50 for NCFA members and \$7.00 for nonmembers. The Research Report on Second Mortgage Lending by Finance Companies in 1980 costs \$3.00 for NCFA members and \$6.00 for nonmembers. Either or both may be obtained by calling or writing Central Order Desk, NCFA, Suite 601, 1000 16th Street, N.W., Washington, DC 20036. (202) 638-1340.

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EXISTING HOME SALES

In July existing home sales slipped to seasonally adjusted annual rate of 2,520,000 units, according to the National Association of Realtors. This is down 5.2% from figure for June, and 13.7% below sales rate for same month year ago. So far in 1981 the rate of resale activity has fluctuated in narrow range of 2.49 to 2.66 million units, with an average rate of 2.56 million units. If trend continues the sales total for 1981 will fall well short of last year's performance of 2.9 million resale transactions and would be 32% below pre-recession levels of 1978 and 1979 when annual sales averaged 3.78 million units.

Instead of seasonal increase in selling prices which normally occurs in July, median price of an existing home in the Northeast fell by \$2,100, in the West by \$600 and for overall U.S. by \$200. This is 5.3% above same month year ago. In the West, median price of an existing home fell to level \$1,100 below year ago.

CONSUMER INSTALLMENT CREDIT

Total consumer installment credit at end July 1981 was \$320.9 billion. Of this amount, \$121.0 billion was outstanding in automobile credit, \$59.0 billion in revolving credit, \$17.8 billion in mobile home credit and \$123.1 billion in all other credit (consisting of other consumer goods and personal loans).

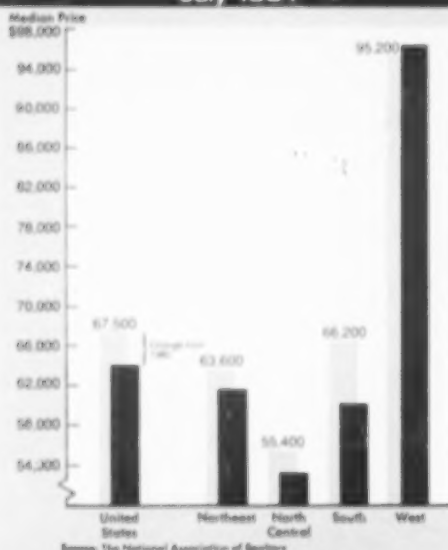
During July 1981, total installment credit outstanding increased by \$2.4 billion—automobile credit increased \$1.3 billion, revolving credit was up \$0.5 billion, mobile home credit was up slightly and all other credit was up \$0.5 billion.

Net change over month by institution was increase of \$0.7 billion for commercial banks. Finance company outstandings increased \$1.2 billion, made up mostly of automobile credit (\$0.9 billion) and personal loans (\$0.3 billion). Credit unions increased \$0.4 billion, credit at retailers increased \$0.1 billion, gasoline companies were up \$0.2 billion, savings and loans were down \$0.2 billion.

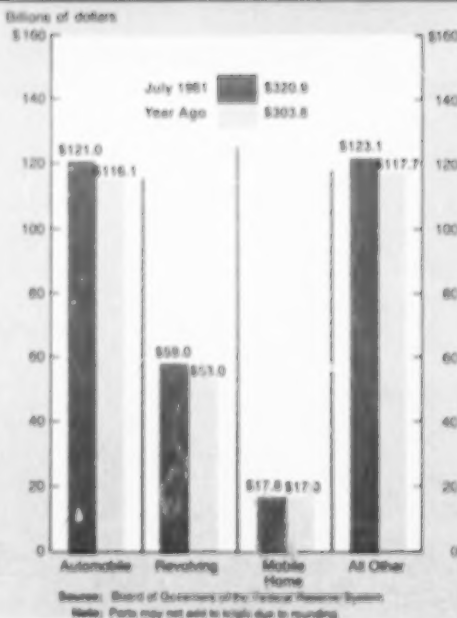
Net change in installment credit outstanding since end of July 1980 amounted to increase of \$17.0 billion. Revolving credit increased \$5.9 billion, mobile home credit \$0.8 billion, automobile credit \$4.9 billion and all other credit \$5.4 billion.

Over the year finance company increase was \$10.0 billion, retailers, \$2.8 billion, savings and loans \$2.0 billion, gasoline companies \$1.1 billion, mutual savings banks \$0.2 billion and credit unions \$3.5 billion. Commercial banks outstandings decreased \$2.5 billion.

**Median Sales Price of Existing
Single Family Homes For the
United States and each Region,
July 1981**

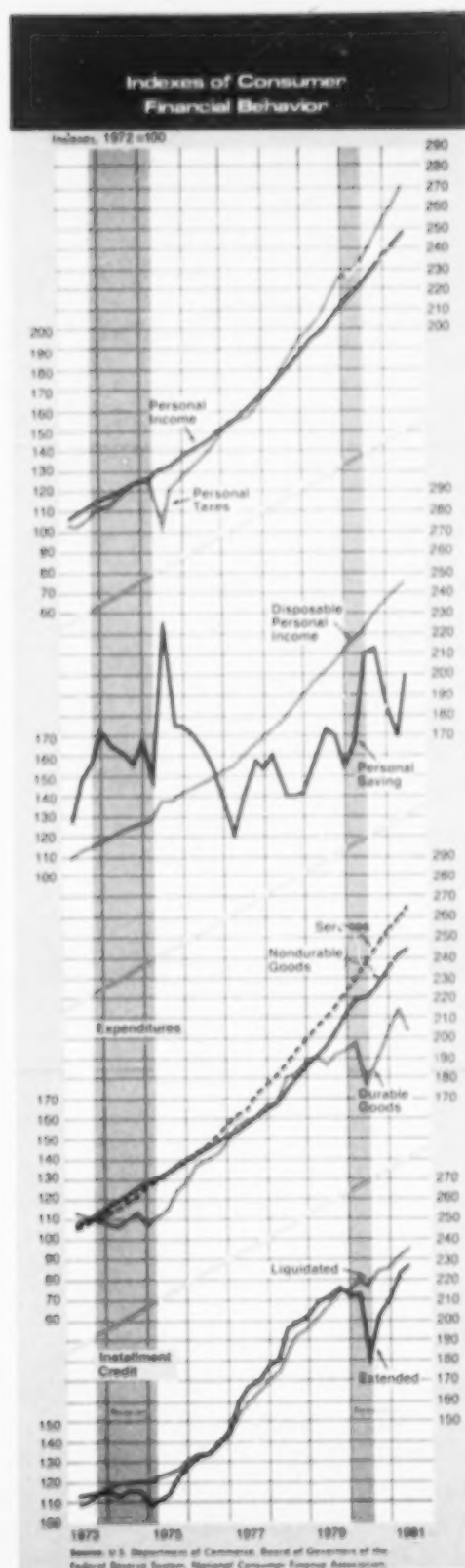


**Consumer Installment Credit
Outstanding**



FINANCE FACTS

OCTOBER 1981



CONSUMER FINANCIAL BEHAVIOR

All indexes except durable goods expenditures were up in second quarter 1981. Largest percentage increase was registered by personal saving, up 31.0 points (18.3%) to 200.0 (1972=100). Durable goods expenditures was down 10.2 points (4.8%) to 204.3.

Personal income index increased 5.2 points (2.1%) in second quarter 1981. Personal taxes rose 7.6 points (2.9%), and disposable personal income rose 4.7 points (2.0%).

Installment credit liquidated index rose in second quarter, up 2.3 points (1.0%) to 235.0, and continued above the installment credit extended index, up 1.1 points (0.5%) to 225.3. Nondurable goods expenditures increased 2.9 points (1.2%).

Installment credit liquidated index has exceeded installment credit extended index in each quarter since beginning of 1980.

Indexes for second quarter 1980 and first and second quarter 1981 (indexes 1972=100) are shown in the following table:

	1980	1981	
	Second Quarter	First Quarter	Second Quarter
Personal Income	222.3	243.8	249.0
Personal Taxes	234.3	263.8	271.4
Disposable Personal Income	220.2	240.4	245.1
Personal Saving	209.1	169.0	200.0
Durable Goods Expenditures	175.0	214.5	204.3
Nondurable Goods Expenditures	220.9	241.5	244.4
Expenditures on Services	236.2	260.0	267.3
Installment Credit Extended	177.2	224.2	225.3
Installment Credit Liquidated	216.4	232.7	235.0

U.S. POPULATION

Total population of the United States was estimated to be approximately 229,444,000 on May 1, 1981. This represents an increase of 2,248,000 (1.0%) over estimate for corresponding month year ago, an increase of 161,000 over previous month. The estimate of total population represents an increase of 2,424,000 over population counted in the Census of April 1, 1980.

RETIRED COUPLE BUDGETS

In autumn of 1980, estimated U.S. average annual cost of lower level budget for an urban retired couple was \$6,644. The intermediate level budget cost \$9,434, and higher budget, \$13,923. The budget costs are about 10% higher than autumn of 1979.

Component with largest increase was transportation, increasing approximately 16% for lower and intermediate budgets and 14% for higher budget. Larger proportion of public transportation is included in lower and intermediate budgets than the higher budget and were affected more by large increases in charges for public transportation. Medical care prices also rose sharply, increasing costs approximately 13% for all three levels.

INDUSTRIAL PRODUCTION

Industrial production declined estimated 0.4% in August, following a 0.3% rise in July. Most of the August decline was due to a reduction in the output of autos, trucks, and parts. Declines also occurred in the output of home goods, construction supplies, and materials. In contrast, equipment production continued to advance. At 152.8% of the 1967 average, the index for August was 7.5% higher than a year earlier.

Production of consumer goods declined 1.0% in August, reflecting a large reduction in output of consumer durable goods. Autos were assembled at an annual rate of 6.5 million units—more than 10% below the rate in July. Output of materials declined 0.5%, reflecting a reduction in output of metals such as steel and of parts for consumer durable goods.

MORTGAGE INTEREST RATES

Average effective commitment rate quoted in early August by major lenders for conventional mortgages for purchase of newly-built, single-family homes was 17.27%. This was 31 basis points more than in early July, and 475 basis points higher than a year earlier.

SUMMER YOUTH EMPLOYMENT

Fewer 16-21 year-olds were employed this summer than in 1980, the Bureau of Labor Statistics reported. Youth employment fell by half a million over period, and employment-population ratio, at 59.0%, was 1.3 percentage points below that posted in July 1980. Youth unemployment rate at 15.9%, was basically the same as a year ago.

Over the year, youth labor force fell by 710,000 to 17.4 million, partially due to a reduction in the size of the youth population. Their civilian labor force participation rate, at 72.3% in July, was down 1.9 points from July 1980. Two-thirds of the 1980-81 decline in the overall youth labor force was attributable to the lower participation rate. Summertime labor force activity among youth has been declining since 1978. Youth employment was down 510,000 over year to level of 14.6 million. This was 1.2 million below level posted in July 1979 and was lowest point since July 1975.

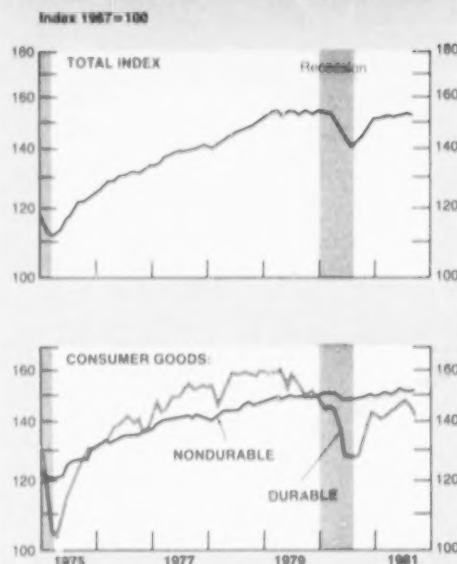
EMPLOYMENT SITUATION

Employment situation was little changed in August, the Bureau of Labor Statistics reported. Overall unemployment rate was 7.2%, compared with 7.0% in July. During most of January-June period, jobless rate had been 7.3%.

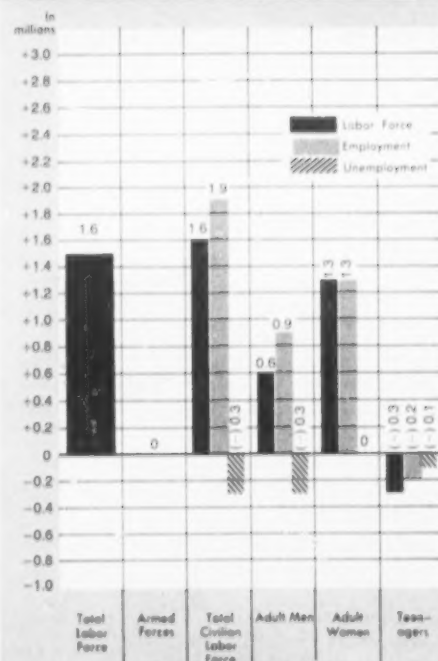
Following substantial increases in July, employment held about steady in August. Since July 1980 recession trough, both employment series have risen by about 2 million.

Among worker groups, rate for young men 20 to 24 years rose sharply in August and, at 12.7%, returned to June level. Unemployment rates among workers 25 years and over changed little during August.

Index of Industrial Production
by months (seasonally adjusted) 1975-1981

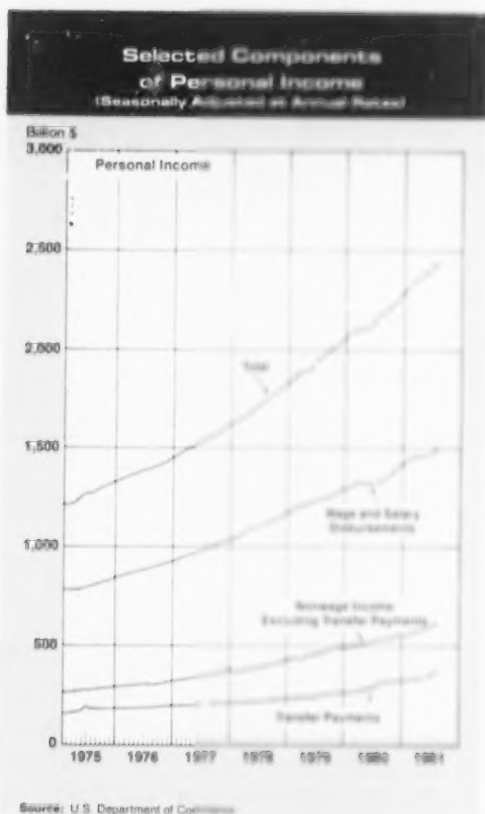


Changes in the Labor Force and Selected Components August 1980 to August 1981



NOTE: Details may not add to totals because of rounding.
SOURCE: Bureau of Labor Statistics.

OCTOBER 1981



PERSONAL INCOME

Personal income increased \$26.9 billion in August to seasonally adjusted annual rate of \$2,445.8 billion, according to U.S. Department of Commerce. In July, personal income increased \$34.7 billion.

Wages and salaries and other labor income increased \$17.7 billion in August. Nonfarm proprietors' income increased \$0.4 billion in August, farm proprietors' income increased \$0.6 billion. Income from rent, dividends and interest increased \$7.4 billion. Transfer payments increased \$1.4 billion.

Personal outlays increased \$27.1 billion in August, taxes up \$5.9 billion. Saving decreased \$6.1 billion. Purchases of durable goods increased \$19.5 billion. Purchases of nondurable goods increased \$1.0 billion, purchases of services increased \$6.2 billion.

PRODUCER PRICE INDEXES

The Producer Price Index for Finished Goods moved up 0.3% from July to August on a seasonally adjusted basis, the Bureau of Labor Statistics reported. August increase followed a 0.4% rise in July and a 0.6% advance in June. Prices for intermediate goods rose 0.4%, crude material prices declined 0.6%.

Among finished goods, consumer food prices edged up 0.2%, much less than the 1.5% climb in the previous month. The finished energy goods index fell 0.7%, prices for finished consumer goods other than foods and energy rose somewhat more than in July, but capital equipment prices moved up slightly less than in the previous month. Before seasonal adjustment, the Producer Price Index for Finished Goods was virtually unchanged at 271.2 (1967 = 100). Over the year, the Finished Goods Price Index moved up 7.9%.

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NOVEMBER 1981

FINANCE FACTS PUBLICATION

This publication will soon be undergoing a change of design. Due to increases in mailing and printing costs, we are re-designing this publication in order to forego subscription rate increases. These changes will take effect starting with the January 1982 issue.

All those currently receiving this publication will continue to do so. We hope you will find the information it contains as informative as you have in past issues.

CONSUMER CONFIDENCE

Consumer confidence dropped sharply in September. The Conference Board's Consumer Confidence Index (1969-70 = 100) now stands at 72 — drop of almost 10 points from preceding month. Some consumer uneasiness was evident last month, but concern increased. Consumers' buying plans are also down.

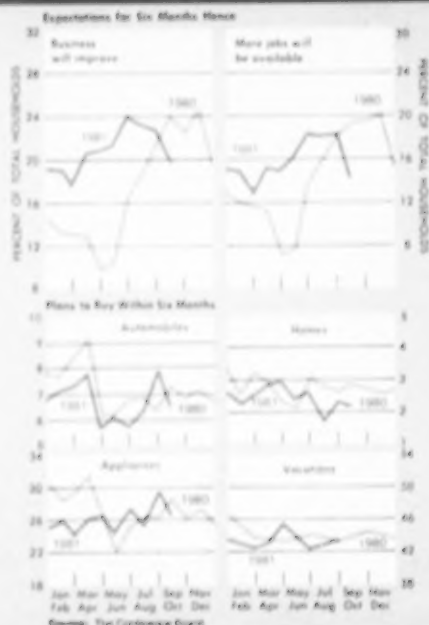
There has been a rise from 11% to 15% in number who believe that business conditions will "worsen" over next six months, while proportion of those who fear that jobs will grow scarcer has grown from 19.5% to 22.3% of all respondents. In aggregate, expectational component is down 12 points. Plans to buy an automobile fell to 6.6%, down from 7.9% in the preceding month. Intentions to purchase a home were expressed by 2.3%, substantially below year-ago levels. Plans to secure a major appliance dropped to 26.8% from 29.5%.

EXISTING HOME SALES

In August, sales of existing single-family homes slipped to their lowest level in more than six years. August home sales were at seasonally adjusted annual rate of 2,260,000 units, off 10.3% from preceding month and down 43.8% from sales pace before the recession. Sharp August decline occurred after seven consecutive months in which sales were holding within a narrow range of 2.49 to 2.66 million units. Between late 1978 and August 1981, monthly principal and interest payments for an 80%, 30 year mortgage on median priced resale property more than doubled from \$336 to \$794.

Despite low level of home sales and high interest rates, housing prices have not broken under the market strain. In August, median sales price of an existing home rose \$900 to \$65,400. It appears that 1981 will be the first time in five years that home prices will increase at less than a double-digit pace.

Consumer Expectations and Plans To Buy



Median Sales Price of Existing Single Family Homes For the United States and each Region, August 1981

